



**STAFF REPORT  
ACTION REQUIRED**

**Improving Collections of Unpaid *Provincial Offences Act* Fines: A Joint Municipal Pilot Project**

<b>Date:</b>	April 26, 2013
<b>To:</b>	Government Management Committee
<b>From:</b>	Treasurer
<b>Wards:</b>	All
<b>Reference Number:</b>	P:\2013\Internal Services\rev\gm13012rev (AFS17235)

**SUMMARY**

---

This report seeks Council authority for Toronto’s participation in a joint municipal pilot project to improve the collection of outstanding *Provincial Offences Act* fines. Through a reciprocal inter-municipal agreement, participating municipalities would be able to add outstanding fine amounts originating in other jurisdictions to the property tax roll in municipalities where the offender owns a property, thereby securing the outstanding fine against the property, which can then be collected in the same manner as property taxes. Once collected, the fine amount is remitted to the municipality in which the fine originated, with the municipality that collected the fine retaining the fees charged for adding the amount to the tax roll, and any additional fees or interest added to the fine amount.

Current participating municipalities in the pilot project include the City of Ottawa, City of Belleville, City of Kawartha Lakes and County of Hastings, with the City of Mississauga expected to join by mid-2013. Council authority is required to enter into the reciprocal inter-municipal agreement. Additionally, should the project prove successful and continue beyond the pilot stage, it is recommended that the City of Toronto pursue and execute similar agreements with other Ontario municipalities for the reciprocal collection of outstanding *Provincial Offences Act* fines through this process, and that the Treasurer be delegated authority to enter into such further agreements.

## RECOMMENDATIONS

---

### The Treasurer recommends that:

1. Council authorize the Treasurer to enter into an inter-municipal agreement with the City of Ottawa, City of Mississauga, City of Belleville, City of Kawartha Lakes and County of Hastings, to allow unpaid *Provincial Offences Act* fines to be added to the tax roll for collection and to collect such amounts on behalf of the municipalities participating in the pilot project on a reciprocal basis, all in a form satisfactory to the City Solicitor.
2. If, in the opinion of the Treasurer, the pilot project is deemed to be successful, such that revenues earned and collected exceed collection costs incurred, and the project continues beyond the initial pilot stage, the City pursue and execute similar agreements with other Ontario municipalities for the reciprocal collection of outstanding *Provincial Offences Act* fines through this process.
3. Council delegate authority to the Treasurer to execute any documents and subsequent agreements as required through the approval of the above recommendations in a form satisfactory to the City Solicitor.

### Financial Impact

Toronto's participation in the inter-municipal joint pilot project is expected to increase the City's collection rate for unpaid *Provincial Offences Act* (POA) fines. By being able to add fines originating in the City of Toronto to the property tax roll of other municipalities where a POA offender owns property, the likelihood of collecting unpaid fine amounts is increased. Toronto's success rate to date in collecting POA fine amounts added to the tax roll (for charges originating in Toronto and where the offender resides in Toronto) is 85% for charges added in 2010, and 75% for charges added in 2011. While it is unknown how many City of Toronto POA fines may be added to the tax rolls in other jurisdictions under this reciprocal agreement, Toronto's experience suggests that, once added to the tax roll, these amounts have a much higher likelihood of being collected. This expanded ability will therefore improve current collection rates.

In terms of direct financial impacts, the City's participation in the pilot project will result in new revenues from additional fees for adding amounts to the property tax roll, fees for overdue notices, and interest charges accumulated on overdue amounts. Under the inter-municipal agreement, the municipality that adds the amount to the tax roll retains any fees or interest charges on the tax rolled amounts, with only the principal fee amount remitted to the municipality in which the fine originated.

Currently about 150 fines are added to the tax rolls in Toronto each year. Conservatively, assuming that between 50 and 100 POA fine amounts from other municipalities are added to the Toronto tax rolls each year, and using average fee and interest amounts associated with actual amounts added in 2010, 2011 and 2012 in Toronto, it can be projected that additional revenues of between \$10,730 to \$21,460 will be earned in 2013 (based on a September 2013 start date), with additional annual revenues of between \$32,190 to \$64,385 in future years, as illustrated in Table 1 below.

**Table 1  
Estimated Revenues from Adding Outstanding POA Fine Amounts to the Tax Rolls**

Revenue Items:	Average additional fee/interest revenue per item added <sup>1</sup>	Estimated Annual Revenues	
		Based on 50 charges added to tax rolls	Based on 100 charges added to tax rolls
<b>Fees for amounts added to the tax roll</b> \$50.00/item added	\$50.00	\$2,500	\$5,000
<b>Other Fees – includes:</b> overdue notice fees -\$16.00/notice final notice fee - \$21.00/notice issuance to bailiff fee - \$56.00/notice	\$12.54	\$627	\$1,254
<b>Interest on overdue amounts</b> (retained by City for amounts added to the City's tax roll for other municipalities) 1.25% per month	\$581.31	\$29,066	\$58,131
<b>Total</b>	<b>\$643.85</b>	<b>\$32,193</b>	<b>\$64,385</b>

1. Based on actual fees and interest charges for 438 POA amounts added to the tax roll for collection in Toronto in 2010, 2011 and 2012. Average POA amount added to tax roll: \$6,822/item added.

It is anticipated that the incremental operational costs (including staff time and administration costs) of adding fines from other municipalities to the tax rolls will be modest, given that there are existing automated processes in place, and will be absorbed within existing operating budget allocations, with no impact on current or future year budgets.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

## **ISSUE BACKGROUND**

In November 2011, the Ontario Association of Police Services Boards released a white paper: *Provincial Offences Act Unpaid Fines: A Billion Dollar Problem*. The report identified that, as of July 2010, the province of Ontario had over 2.5 million outstanding POA fines, worth a total value of almost \$1 billion. Almost one-third of those fines were for driving without insurance, and another third represented speeding or other driving offences under the *Highway Traffic Act*. Outstanding amounts also included fines levied under various provincial statutes such as the *Liquor License Act*, *Occupational Health*

*and Safety Act* and *Trespass to Property Act*, as well as municipal by-law infractions. The report recommended that the Province institute stronger collection sanctions for fine defaulters, including broader driver's licence and licence plate denial, vehicle impoundment, and garnishment of income tax refunds, as well as measures to enhance municipal efforts to collect fines.

Earlier amendments to the *Provincial Offences Act*, the *Municipal Act* and the *City of Toronto Act*, introduced in 2009 through the passage of Bill 212: *Good Government Act*, had enabled municipalities to collect defaulted fines by adding these amounts to municipal property taxes.

The total outstanding unpaid fines, including associated costs, in Toronto is about \$430 million, of which approximately \$300 million relates to persons and firms with a Toronto address and \$167 million are fines outstanding since prior to the provincial download of courts in 2002.

## **COMMENTS**

The legislative authority to add defaulted *Provincial Offences Act* fines to the tax roll was introduced in 2009, and is established under Section 381.1 of the *City of Toronto Act, 2006*, which provides that:

*The treasurer of the City may add any part of a fine for a commission of a provincial offence that is in default under section 69 of the Provincial Offences Act to the tax roll for any property in the City for which all of the owners are responsible for paying the fine and collect it in the same manner as municipal taxes.*

The ability to add POA fines to the tax roll for collection is limited, however, by the requirement that unpaid fines may only be added to the tax roll where “all of the owners” are responsible for paying the fine. While a POA fine is generally levied against an individual or a corporation, the fine amount may only be added to the property tax account if the ownership of the property is held in the name of the offender only – where a property is jointly owned by two or more parties (e.g., 2 spouses), and only one spouse is responsible for paying the fine, or the property is owned by a different business entity than that identified with the fine, these amounts cannot be added to the tax roll.

Despite this limitation, Toronto has enjoyed considerable success in collecting unpaid POA fines that have been added to the tax roll since this ability was introduced in 2009, as set out below.

## Toronto's success in collecting POA fines added to the tax roll

In 2010, a working group comprising staff from Court Services, Legal Services and Revenue Services divisions developed a process to identify outstanding POA fine amounts that could be attached to a property tax account for collection. Working with City of Toronto POA fines and properties located in Toronto, and starting with the largest outstanding fine amounts and moving to successively smaller fine amount thresholds, a total of 475 amounts have been added to the tax rolls since the fall of 2010 to the end of March 2013. The average POA amount added to the tax roll for collection was \$6,822 per item added. Over this period, total fines of \$3.24 million have been added to tax accounts, resulting in collections of \$2.11 million (an overall collection success rate of 65%), in addition to revenues from fees and interest charges totalling \$0.17 million. These results are illustrated in Table 2.

**Table 2**  
**Collection Results from Unpaid POA Fines Added to Tax Rolls, 2010 – 2013**  
**(City of Toronto POA fines only<sup>1</sup>)**

Year	# POA charges added to tax rolls	Total POA fine amounts added	Total POA fine amounts collected	Collection success rate (POA fine principal only)	Additional fee/interest revenue collected
2010	34	\$983,001	\$833,439	85%	\$72,617
2011	275	\$1,382,009	\$1,039,594	75%	\$79,121
2012	129	\$723,518	\$233,760	32%	\$16,501
2013 <sup>2</sup>	37	\$152,041	\$6,315	4%	\$1,467
<b>Totals:</b>	<b>475</b>	<b>\$3,240,569</b>	<b>\$2,113,107</b>	<b>65%</b>	<b>\$169,706</b>

1. Includes fines from City of Toronto POA region only added to properties located within the City of Toronto.
2. As at March 31, 2013

Once added to the tax account, POA fine amounts, like other amounts added to the tax roll for collection, attract interest at 1.25% per month as long as they remain unpaid. A fee of \$50 is levied for each charge added to the tax roll, and additional fees for overdue notices (\$16.00/notice), final notices (\$21.00/notice) or notice of issuance to a bailiff (\$56.00/notice) may also be incurred, depending on how long the fine remains unpaid. Fees and added interest charges can quickly cause the original fine amount to escalate, which acts as a strong incentive for offenders to make payment.

Additionally, the legislative requirement that any payment received be applied against the oldest outstanding receivable means that payments made for regular property tax instalments will be applied to reduce any earlier outstanding POA amounts. The combined effect of these measures has resulted in an 85% collection rate for POA amounts added in 2010, and a 75% rate for amounts added in 2011. It can be expected

that the collection rates identified in Table 2 will also increase over time, given that charges, once added, remain affixed to the property tax account until the amounts are paid.

### **Joint municipal pilot project to improve POA fine collections**

The joint municipal pilot project to improve the collection of unpaid POA fines began in 2011 as an initiative of the Ontario Municipal Tax and Revenue Association (OMTRA, formerly the Association of Municipal Tax Collectors of Ontario, or AMTCO). Given the new ability to add POA fines to the tax roll for collection, a number of OMTRA's member municipalities, including Toronto, devised a protocol and procedures to allow for POA fine amounts owing in one municipality to be added to the tax roll in another municipality where the POA offender owned property, thus improving a municipality's chances of successfully collecting fine amounts owing.

Municipalities participating in the pilot project include the cities of Ottawa, Belleville, Kawartha Lakes and the County of Hastings, with the City of Mississauga expected to join by mid-2013, and Toronto, with Council's approval of this report. The collective population of these municipalities represents 35% of Ontario's total population.

An inter-municipal agreement was developed to establish the terms, procedures and responsibilities of the parties, incorporating input from each of the respective POA, property tax and legal departments of the partner municipalities, including Toronto's Court Services, Revenue Services and Legal Services divisions.

The agreement establishes the framework for reciprocal arrangements to:

- a. identify outstanding POA fine amounts within the originating municipality;
- b. confirm that a POA fine amount is owed by a resident within a participating municipality (and that the property is owned solely by the POA offender responsible for paying the fine, and so can be added to the tax roll);
- c. add the POA fine amount to the tax roll in the municipality in which the offender owns a property, and to collect such amounts;
- d. add the municipality's own fees for adding the amount to the tax account, as well as interest charges and any other applicable fees in accordance with the municipality's existing by-laws and processes, and to collect such amounts;
- e. remit the principal POA fine amounts, once collected, to the municipality which requested the amount be added to the tax roll (the "requesting municipality"), with the municipality that added the fine amount to the tax roll (the "tax rolling municipality") retaining any applicable fees or interest amounts accumulated.

The agreement also sets out procedures for reversing the addition of POA fine amounts identified for collection (i.e., where fines may be paid directly to the originating municipality), timing of remittances, and other provisions regarding notice and termination requirements, etc.

In terms of the volume of POA fines expected to be added to Toronto's tax rolls, it is projected that Toronto may receive between 50 and 100 requests to add unpaid fines from other municipalities per year, and could expect that up to 50 City of Toronto POA region fines could be added to tax rolls in other jurisdictions for collection. The reciprocal arrangement for placement of POA fines with other municipalities represents a low risk and low cost collection method, while providing substantial benefits to the City in terms of improved collections, as these outstanding fine amounts may have otherwise remained uncollectible.

The results of the pilot project will be carefully monitored by OMTRA and its participating municipalities. In terms of Toronto's participation, the pilot project will be deemed to have been successful if revenues collected and earned exceed the cost of collection. Should the pilot prove successful, this initiative may be broadened to allow participation by other municipalities.

To date, the inter-municipal agreement has been executed by four participating municipalities (Ottawa, Belleville, Kawartha Lakes and Hastings County), and POA fine amounts owing in several jurisdictions have been added to the tax rolls in other jurisdictions where the offender is a resident and successfully collected. The anticipated participation of Toronto and the City of Mississauga later in 2013 is expected to increase the number of active POA fine amounts that can be added to the tax rolls, given the larger population of these cities and the increased likelihood that a POA offender may own property in these jurisdictions.

### **Continuing efforts to improve collection of unpaid POA fines**

The joint municipal pilot project identified above offers the opportunity for a dynamic new tool for municipalities to improve collection success rates for unpaid POA fines. Toronto's participation in this type of pilot program will strengthen intra-governmental relations, enhance information sharing and build on existing functionality to provide substantial benefits to the participating municipalities, while improving Toronto's own collection success rate.

This report recommends that, if, in the opinion of the Treasurer, the pilot project is deemed to be successful (based on an analysis of revenues earned and collected compared to collection costs incurred), and should the project continue beyond the initial pilot stage, the City pursue and execute similar agreements with other Ontario municipalities for the reciprocal collection of outstanding *Provincial Offences Act* fines through this process and that the Treasurer be delegated authority to enter into such further agreements.

Finally, the City of Toronto and all Ontario municipalities should continue to solicit the province for stronger tools in the collection of unpaid fines. A recent announcement in March 2013 advised of the Province's intent to introduce new legislation that would, if passed, deny licence plate renewals to drivers who have unpaid fines for offences such as speeding, improper lane changes, illegal turns, driving with no insurance and careless

driving. At present, these licence plate denial provisions only apply to parking ticket offences, red light camera fines and 407 ETR tolls, but have proven to be an extremely effective collection tool. Additionally, the proposed legislation is expected to improve the ability of municipalities to charge out-of-province drivers who run red lights and fail to stop for school buses. City staff will continue to monitor this legislation and advocate for expanded collection methods for defaulted POA offences.

## **CONTACT**

Casey Brendon  
Director, Revenue Services  
Phone: (416) 392-8065  
E-mail: [cbrendo@toronto.ca](mailto:cbrendo@toronto.ca)

Barry Randell  
Director, Court Services  
Phone: (416) 392-3835  
[brandel@toronto.ca](mailto:brandel@toronto.ca)

## **SIGNATURE**

---

Giuliana Carbone  
Treasurer